Weekly Economic Review

Earnings constrained, job losses continue

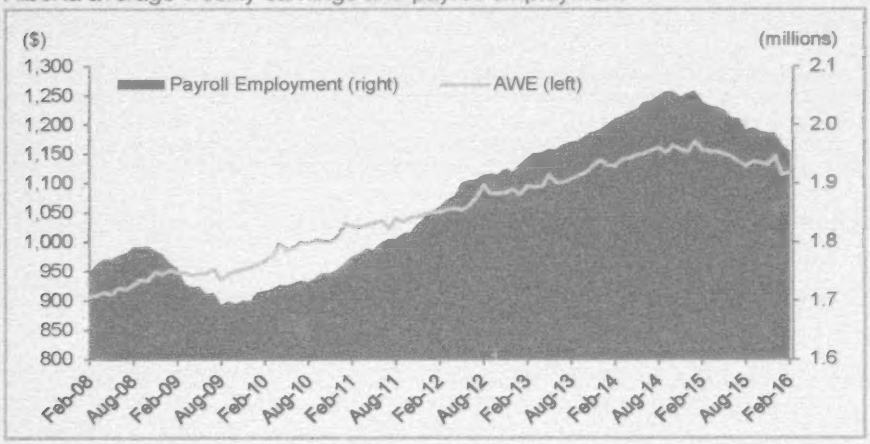
Average Weekly Earnings

Earnings remain depressed

Alberta average weekly earnings (AWE) rose 0.3% from the previous month to $1,118 in February, but remained near two and a half-year lows (Chart 1). Monthly increases in service sector and a strong increase in mining and oil and gas extraction earnings compensated for significant losses in other goods sectors.

Chart 1: Payroll employment losses mounting

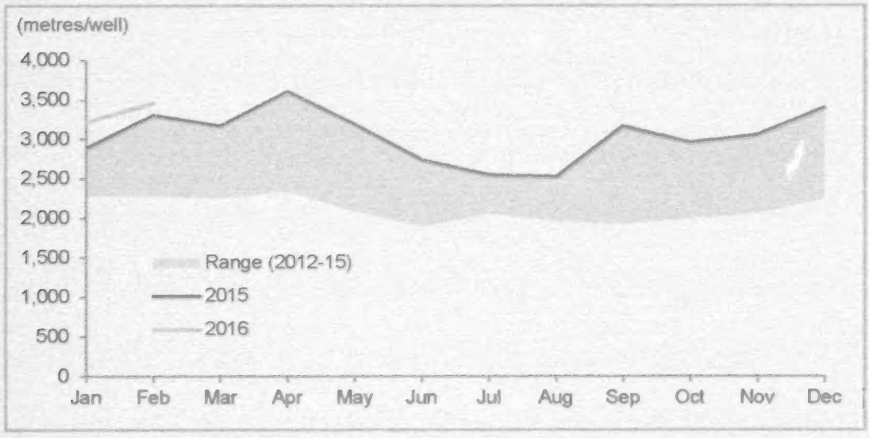
Alberta average weekly earnings and payroll employment



Source: Statistics Canada

Chart 2: Companies emphasizing more productive drilling technology

Alberta metres drilled per completed well



Source: Alberta Energy Regulator

On a year-over-year (y/y) basis, earnings were down 3.4%. Goods sector earnings fell 2.3% y/y and service sector earnings fell 1.9% y/y. Payroll employment fell for the 11th month to reach 1.95 million in February. Since peaking inJanuary 2015, Alberta has lost just over 103,000 payroll jobs, exceeding the losses seen during the 2008-09 downturn.

Metres Drilled

Drilling activity still slowing

There were 183 wells completed and 634,000 metres drilled in Alberta in February, the lowest level for the month since at least 2008. Bitumen was the only subsector to show year-over-year growth in completed wells or metres drilled. Bitumen metres drilled grew 32% y/y to 85,000, while wells completed was up 7.5% y/y to 43. However, both remained over 50% below the 2012-14 average for the month as February 2015 drilling activity was especially subdued. A continued emphasis on more productive drilling technology led the metres drilled per well to reach the second highest level on record at 3,462 (Chart 2), an increase of 4.9% y/y.

Canada GDP by Industry

Output declines in February

After an elevated growth rate of 0.6% in January, Canadian GDP declined 0.1% in February; this was due to goods producing industries declining 0.6%, led by weakness in the manufacturing and energy sectors. The manufacturing sector contracted 0.8%, following two months of strong growth. In the energy sector, monthly declines in non-conventional oil extraction and support activities led to a 1.2% drop, overshadowing a fourth month of rising output from conventional oil extraction.

In the service sector growth was flat month-over-month after four months of strong gains. On a year-over-year basis, the Canadian economy grew 1.5% as support industries for mining and oil and gas extraction increased 1.7%. Oil and gas extraction fell 0.7%, though.

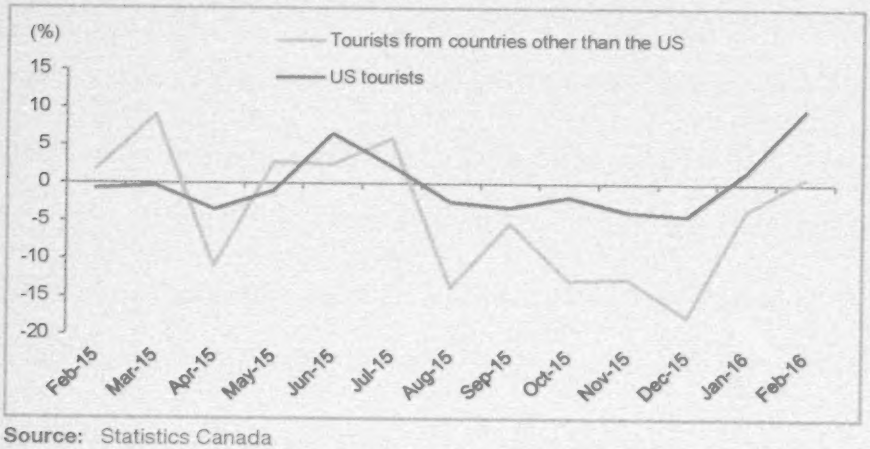
Job Vacancies

Number of openings continues to dwindle

Alberta job vacancies were down for the second straight month and 25% y/y in January, falling to 29,700. The job vacancy rate - the proportion of open positions that are unfilled - fell to 1.5% due to fewer vacancies. Falling vacancies combined with persistent elevated nemployment pushed the unemployment-to-job-vacancies ratio to 5.7. All values were at record levels.

Chart 3: Lower Canadian dollar making Alberta an attractive destination

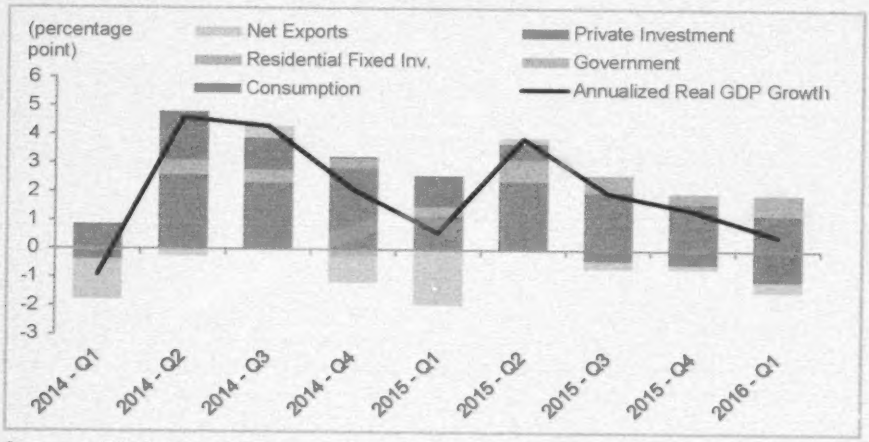
Year-over-year change in tourists to Alberta



Source: Statistics Canada

Chart 4: Net exports, private investment weigh on US growth

Contribution to year-over-year change in US real GDP



Source: US Bureau of Economic Analysis

Tourism

Weak dollar attracting visitors

A weaker Loonie and lower transportation costs are helping to attract international tourists. Tourists entering Alberta from other countries increased 6.7% y/y to 44,180 in February 2016, driven by a 9.8% y/y increase in US tourists (Chart 3). Travellers from other countries increased 0.8% y/y. The weaker dollar, along with the economic downturn, are discouraging Albertans from travelling south of the border. Residents travelling out of the province to the US for tourism fell 5.3% y/y.

US Real GDP

Rate of growth slows

US real GDP grew at an annualized rate of 0.5% in the first quarter, the slowest rate in two years (Chart 4). Residential construction, consumer spending and government spending supported growth but non-residential fixed investment remained weak, falling 5.9%. Net exports continued to be a drag on real economic growth as a strong US dollar and slowing global growth resulted in lower exports.

US Monetary Policy

Fed maintains policy stance

The US Federal Reserve made no change to its interest rate policy. The US central bank kept the Federal Funds target rate range at 0.25%-0.50%. The Fed continued to stress that future policy decisions will be dependent on developments in the economy and will likely evolve at a gradual pace over time. Overall the Fed remains accommodative as inflation is below its target and economic growth has slowed.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.